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Coordinating Governance and Stewardship Between  
Institutional Investors and Asset Managers

The decision by Vanguard to grant proxy voting responsibilities to the external managers of certain Vanguard funds is a road map for the stewardship and proxy voting relationship between institutional investors, such as pension funds and endowments, and the external asset managers they employ. In announcing its decision, Vanguard said:

**We believe proxy voting is a great way to integrate investment stewardship responsibilities with investment management practices. Our external managers are well-positioned to take on proxy voting responsibilities in a manner that supports shareholder value creation over the long term.**

Vanguard noted that it was not abdicating its stewardship and proxy voting responsibilities. Each of the asset managers has proxy voting guidelines and policies that the manager (and Vanguard) “**believes will maximize the long-term value of the companies it invests in on behalf of the Vanguard fund.**”

The Vanguard announcement goes on to say:

**Although each external management firm follows its own policies and guidelines that govern proxy voting decisions, Vanguard has carefully selected managers whose principles and processes align with the objectives of the funds they manage.**

**In addition to evaluating each external manager on their investment strategies, Vanguard reviews their voting capabilities and is confident in their ability to discharge their voting responsibilities consistent with their fiduciary duty to the Vanguard funds.**

The manner in which Vanguard is transferring stewardship and proxy voting to external asset managers is applicable to all institutional investors, including those subject to ERISA regulations and those subject to ordinary trust law standards. Institutional investors who believe that sustainable long-term investment strategies and environmental and social policies designed to enhance relationships with employees, customers, suppliers and communities will create long-term shareholder value, can delegate to, and insist that, their asset managers follow those policies in engaging with, and exercising their stewardship responsibilities with, the companies in which they invest.

As a final note, it is worth pointing out that this is consistent with the stewardship principles of the current edition of *The New Paradigm*, see [\*It's Time To Adopt The New Paradigm\*](#).

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